

**FUNDING STATUS**

This project was programmed for \$60,122,000 (\$24,042,000 Regional Improvement Program (RIP) and \$36,080,000 Interregional Improvement Program (IIP)) in the 2004 State Transportation Improvement Program (STIP). The project funding includes \$101,178,000 of Orange County Measure funds, for a total construction cost of \$161,300,000. The STIP funds were voted in August 2005 for \$60,122,000. Prior to the advertisement of the project, the Engineer's Estimate was increased to \$166,553,000. The Department and OCTA chose to advertise the project with the understanding that OCTA would set aside \$25 million in un-programmed RIP shares in the event bids came in higher than the current budget. Bids for this project were opened on February 9, 2006, and there were three bidders at 24%, 34%, and 80% over the Engineer's Estimate. The amount needed to award to the low bidder is ~~\$206,998,000~~ **\$206,968,000**, an increase of \$45,668,000 over the available funding for this project. It is proposed to fund the cost increase with \$27,484,000 additional RIP, \$3,728,000 additional IIP funds and \$14,456,000 in Local Congestion Management and Air Quality (CMAQ) funds.

This request for \$31,212,000 (\$27,484,000 RIP and \$3,728,000 IIP) in supplemental funds results in an overall increase of 52% over the original STIP allocation.

<b>Vote Date</b>	<b>No. of Plan Holders</b>	<b>Bid Opening Date</b>	<b>Bid Expiration Date</b>	<b>No. of Bidders</b>	<b>Vote Amount</b>	<b>Amount needed to Award</b>	<b>% Over Vote Amount</b>
08/05	36	2/09/06	3/09/06	3	\$60,122,000	\$31,212,000	52%

**REASONS FOR COST INCREASE**

The Department performed a bid analysis to determine all significant differences between the Engineer's Estimate and that of contract bid items. The qualified bidder was contacted to discuss the high bid items. The following areas account for approximately 83% of the cost overrun: earthwork related items contributed \$11.8 million; concrete related items contributed \$6.6 million; asphalt concrete related items contributed \$6.7 million; steel piling contributed \$7.2 million; and formulary cost increases account for approximately \$5.8 million. The lowest bidder explained that the increased costs of these items are the result of difficult construction methods, lack of manufacturers for reinforced concrete pipe and substantial increases in material costs (i.e., steel, concrete, oil). Availability of electrical subcontractors also played a role in the high bids.

Additionally, the Department's prior backwards looking estimating practices produced Engineer's Estimates that did not reflect current market conditions, which caused the project estimate to be too low.

**FUNDING OPTIONS**

The Department reviewed the following options:

OPTION A: Approve this request for supplemental funds as presented above for \$31,212,000 to allow this project to be awarded.

OPTION B: Deny this request, reject all bids, and direct the Department to reduce the scope of the project to remain within the allocated amount.